GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3697
ANSWERED ON:24.03.2017
One Time Settlement in Banks
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Will the Minister of FINANCE be pleased to state:

(a) whether the Public Sector banks have adopted and implemented the policy of one time settlement of dues owed by the debtors;
(b) if so, the details thereof;
(c) the criteria adopted in arriving at such settlement;
(d) whether the Government has noticed that some banks do it in a selective manner;
(e) if so, the details thereof and the bank-wise complaints received by the Government in this regard; and
(f) the details of action taken in such cases?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (c): RBI has deregulated the matters related to One Time Settlement (OTS)/Compromise Settlements vide RBI circular dated July 28, 1995. RBI has provided framework under which banks frame their own board approved policy for One Time Settlements (OTS)/Compromise settlements. RBI has issued instructions which are available on its website which inter-alia specify (i) that every effort should be made to recover dues to the maximum extent possible at minimum expense (July 28,1995), (ii) constitution of Settlement Advisory Committees (SAC) for compromise settlements of chronic NPAs in Public Sector Banks for small sector (May 27,1999), (iii) revised guidelines to cover all NPAs up to Rs.5 crore relating to all sectors excluding cases of wilful default, fraud and malfeasance and for NPAs above Rs.5 crore, bank boards to form policy guidelines covering computation formula, realizable amount, cut-off date and payment conditions and (iv) guidelines for compromise settlements in small and medium enterprises (SME) sector for amount up to Rs.10 crore (September 3, 2005).

Banks frame their policy in the above outlined guidance framework. Further, RBI, vide circular dated June 21, 2010, has mandated that every authority / Officer sanctioning One Time Settlements should append a certificate stating that it has been done in conformity with RBI guidelines.

(d) to (f): Banks are free to engage in OTS/Compromise Settlements with borrowers as per their Board approved internal policy, their commercial judgement and extant regulatory guidelines. Further, whenever any irregularities are found or observed on the part of bank officials, action is initiated by Banks as per their extant rules and commensurate punishment is awarded to delinquent employees based on the seriousness of wrongdoings as per Bank's disciplinary rules.

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